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UNCLAS SECTION 01 OF 04 HARARE 001093

SIPDIS

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: Zim Notes December 7, 2007

¶1. The Embassy Harare Political/Economic Section began producing Zim Notes in July, 2007 to present a perspective on current events in Zimbabwe. Suggestions are always welcome. If you would like to receive Zim Notes by email, as well, please contact Frances Chisholm at chisholmfm@state.gov. Distribution is restricted to U.S. government employees.

¶2. Parallel exchange rate: ZW\$2,100,000:US\$1
Official exchange rate: ZW\$30,000:US\$1
Sugar on the parallel market jumped to Z\$2.5 million/2kg vs. controlled price of Z\$247,000/2kg
Cooking oil on the parallel market - steady at Z\$5 million for 750 ml vs. controlled price of Z\$440,000/750ml
Fuel - scarce at the nearly doubled price of Z\$4 million/liter vs. Z\$60,000/liter at controlled price and unavailable.

On the Political/Social Front

¶3. MDC Sets Conditions for SADC Agreement - MDC negotiators Tendai Biti and Welshman Ncube in a diplomatic briefing on Tuesday said that essential to an agreement were implementation before elections of the already agreed-upon draft constitution and an election date that would permit time for organizing and campaigning (Harare 1080).

On Wednesday, the MDC (Tsvangirai faction) issued a press release reporting that its National Executive Committee had met that day and resolved that neither an agreement nor free and fair elections would be possible unless the following conditions were met:

- Introduction of a new constitution before elections;
- Reconstitution of the Zimbabwe Electoral Commission (ZEC) which would be responsible for a new voters' roll and delimitation of constituencies;
- Restoration of daily newspapers and freedom for journalists to operate;
- Implementation of agreed-upon reforms to POSA, AIPPA, the Broadcasting Act, and electoral laws;
- Unimpeded international monitoring of elections;

--Voting by the Diaspora.

MDC spokesperson Nelson Chamisa told the press the National Executive Committee would meet again on December 16 and decide whether to ratify any agreement reached between the MDC and ZANU-PF and whether to contest next year's elections.

¶4. *A Farewell March? - ZANU-PF's so-called "Million Men and Women March" on November 28 to show support for President Robert Mugabe's candidacy in 2008 fell well short of expectations. Press reports on the crowd size varied widely - anywhere from 10,000 to 200,000 - but our best guess is that around 40,000 participated, although many unwillingly. To ensure a respectable showing, ZANU-PF mobilized nearly every available form of state transportation to bring in "supporters" from out of town. There is no doubt it was the largest political rally in years, but only because the government has not afford the opposition equal space, according to many political observers.

In true megalomaniacal fashion, Mugabe addressed the crowd wearing a shirt bearing his own image. True to his tired script, he again railed on Britain, blamed all the country's woes on a Western conspiracy, and called on Zimbabweans to identify and defeat their "common enemy".

¶5. State of the Nation - In his 20th state of the nation address in Parliament on December 4 President Mugabe toned down the usual vitriol - at least towards the opposition - and implored Zimbabweans to persevere in the face of continuing challenges. Mugabe commended the MDC for participating in a "new era of constructive engagement across the political divide." He added that campaigning should be permitted in an "atmosphere of peace." At one point Mugabe even admitted that some problems (e.g., predatory pricing by greedy

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individuals) were homegrown. Once again Mugabe pinned hopes of an economic turn around on the "Look East" policy. Unable to resist taking pot shots at his detractors, he blamed Britain for a "sinister campaign" to isolate the country and said only "friendly and objective" members of the international community would be invited to observe elections.

¶6. Practice Makes Perfect - Teachers Threaten To Strike Again - In what has become a quarterly exercise in futility, teachers are once again threatening to strike over low wages, continually eroded by inflation. Raymond Majongwe, the outspoken leader of the Progressive Teacher's Union of Zimbabwe (PTUZ), this week demanded an increase in teacher's pay to ZW\$318 million (about US\$138) or teachers would not return to schools when the new term begins in January. Teachers last received a raise on October 3 when their minimum monthly wage was increased to ZW\$14 million then about US\$30 on the parallel market. Due to skyrocketing inflation, that USD salary equivalent quickly diminished to about US\$11 by November 23 and about US\$6 by December 5. Majongwe told us government needs to get serious about retaining teachers as more workers head everyday for greener pastures in South Africa. See Zim Notes November 23.

¶7. ZESN Dismisses Mop-Up Mobile Voter Registration Exercise As Ineffective - The Zimbabwe Election Support Network (ZESN) released a report on the "mop-up" mobile voter registration exercise that ran from October 26 through November 15. It concluded that the registration process did not address some of the fundamental issues raised by the opposition and civil society after the previous exercise in June, which ZESN regarded as ineffective. Among other observations, ZESN reported that the exercise was inadequately publicized, affected by power cuts, and lacked adequate simple resources like registration forms and film. ZESN has called on the government to carry out a more comprehensive and transparent voter registration process. The full ZESN report is available at:
http://www.zesn.org.zw/newsflash_view.cfm?nfi_d=8

¶8. Morgan Tsvangirai Begins Nationwide Rallies - MDC President, Morgan Tsvangirai addressed a rally of about 10,000 people in Glen Norah, a Harare high density suburb, on Sunday December 2. He talked about the general state of the economy, the SADC-initiated dialogue, and the forthcoming elections. MDC Information Secretary, Nelson Chamisa told embassy officials that this was the first of

many more rallies nationwide. The next rally will take place in Nkayi, Matabeleland North, next week.

On the Economic and Business front

¶19. Cash Shortage At Crisis Level - The cash shortage that hit the country a few weeks ago has reached crisis level as commercial banks struggle to mobilize deposits. The Reserve Bank of Zimbabwe (RBZ) is not making the situation any easier as it supplies fewer and fewer bank notes to the market. A senior executive at a major commercial bank told us the RBZ supplied the bank with only Z\$15 billion on December 5, 2007 - not enough cash for even a single branch under normal circumstances. The banker told us some smaller banks were getting no cash at all from the RBZ. Cash-rich clients and supermarkets are back to selling cash to ready buyers at a 25% to 50% commission, mitigating some of the losses they are making in grocery sales at monitored and controlled prices.

¶10. Release Of New Bearer Cheques Still "Imminent" - RBZ Governor Gono called bank CEO's together on Thursday and told them that the rollout of new bearer cheques (not a new currency, we now understand) was imminent, as reported to us by one bank executive who attended the meeting.

¶11. Update On "Mother of All Agricultural Seasons" - The FAO-led Agriculture Coordination Working Group heard at its November 29

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meeting that Zimbabwe's target maize seed requirement is 50,000 MT against 35,100 MT local seed supply, of which 28,457 MT has been distributed by seed houses to date. Groundnut seed is in short supply; the local supply of soybean stands at 8,400 MT against a requirement of 12,000 MT; 1,442 MT of sorghum seed is available against a target quantity of 4,000 MT. The basal fertilizer requirement is 720,000 MT - available stocks stand at 157,698 MT (excluding toll manufactured fertilizers, which mainly cover crops grown under contract and by corporates). World Food Program and C-SAFE provided food to 4,083,383 people in November. And, on a positive note, most of the country is in the "normal" or "above-normal" rainfall range as the summer agricultural season commences.

¶12. Passport Fees Hiked - The Herald reported this week that the Registrar General's Office increased passport fees as of November 26, to Z\$5 million (US\$1.90 at the parallel rate) for a regular application and Z\$20 million (US\$7.69) for issuance within 24 hours, up from Z\$150,000 (US\$0.19) and Z\$1 million (US\$0.38) respectively. An Embassy FSN who applied for a passport last month, however, told us he had to pay US\$220 for the 24-hour service, a figure also cited in a local electronic financial newsletter this week.

¶13. Be Independent, Electricity Regulators Told - At the fourth annual conference of the Regional Electricity Regulators association (RERA) held in Victoria Falls on November 27 and 28, Dr Frank Sebbowa, CEO Electricity Regulatory Authority of Uganda chronicled how regulators in East Africa had succumbed to political interference and warned RERA members not to fall into the same trap.

Vinod Shrivastava, President of US-based Core International, said regulators should focus on a few key governance principles, namely commitment to high ethical standards, adoption of clear and simple rules for the sector, employment of skilled personnel and strengthening of external checks by consumers, competition authorities and the courts. Roger Williams, Technical Director of Zimbabwe's chrome giant ZIMASCO, reported that the company lost US\$17 million directly from power outages and had a potential revenue loss of an additional US\$33 million between January and October 2007 due to unreliable power supplies. According to the Southern African Power Pool (SAPP), the region requires a total investment of around US\$43 billion to ensure uninterrupted power supply in the medium to long term. In the meantime, delegates agreed on the need to implement both load shedding and demand side management techniques.

¶14. Johnson & Johnson Withdraws From Zimbabwe - Citing "insurmountable issues" for most businesses in sourcing foreign

currency, Johnson & Johnson country manager Christopher Muyeye informed business partners on November 28 that the company was withdrawing from Zimbabwe effective November 30, 2007. Johnson & Johnson had already shut down its manufacturing arm and was only importing and distributing Johnson & Johnson products, which proved to be unviable without access to foreign exchange.

¶15. Zimbabwe Slips Into Trade Deficit With U.S. For First Time In Over Decade - Zimbabwe's bilateral trade balance with the U.S. slipped into a cumulative annual deficit for the first time since 1995 with the release of the Jan-Sept figures. Total volume of trade (imports plus exports) rose slightly in the nine month period to US\$112.6 million, up from US\$105.1 million in the same period in 2006, and rising for the fifth year in a row.

¶16. Background Paper On The Requirements For A Future Economic Program - In circulation among donors in Harare is a thoughtful background economic paper, Progressive Zimbabwe - Sustainable Growth & Transformation, prepared by the Zimbabwe Institute in South Africa and available at: <http://www.zimbabweinstitute.org>

¶17. See Harare 1091 for Readout Of World Bank Nov 22-30 Mission To HARARE 00001093 004 OF 004

Zimbabwe.

¶18. Quotes Of The Week From The Financial Gazette of December 6-12, 2007 on the Million Men and Women March:
"I don't understand why people would march to celebrate failure."
(Political Analyst Ibbo Mandaza)
*And even less charitable, from former Information Minister Jonathan Moyo: "It was a farewell march."

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